



New Mexico State Investment Council



INVESTMENTS & PENSIONS OVERSIGHT COMMITTEE

**STATE INVESTMENT COUNCIL
ACCOMPLISHMENTS AND REFORMS**

INVESTMENT PERFORMANCE

JUNE 20, 2012



STATE INVESTMENT COUNCIL

Governance & Reforms

2

- **Legislature reconstituted SIC membership and powers in April 2010**
 - Removed Investment Officer from Council, added 4 legislative appointees to balance previous executive grip on SIC
- **New Investment Officer appointed by Council**
 - New CIO, CFO, General Counsel, management team
- **Advisors, investment managers replaced**
 - All new advisors hired through RFPs
 - ✦ General investment, private equity, real estate
 - ✦ 11 investment firms terminated, 17 new firms hired
 - ✦ Seeking best in class management



STATE INVESTMENT COUNCIL

Plans & Restructuring

3

- Asset allocation study completed in 2011
- Three year investment restructuring process
- New managers, new mandates
 - Strategies to reduce volatility, limit exposure to equity markets
 - Focus on income-producing real assets: real estate, infrastructure, energy, timber
 - Seeking external management & expertise to reduce risk
- 22 RFPs in process over 36 months
 - 9 complete so far, 6 released or in active prep stage
 - Council members highly involved in selection process



STATE INVESTMENT COUNCIL

Systemic Changes

4

- **Implementation of new Policies & Procedures**
 - 14 policies adopted or updated, 10 others under review
 - Council Code of Conduct
 - Staff Code of Ethics, Mission Vision Values Statement
 - In-depth organizational analysis by SPO
- **Council Committees**
 - Investment, Governance, Audit & Legal
- **Increased transparency**
 - Webcast, meeting materials posted online
 - Compliance with all document requests



STATE INVESTMENT COUNCIL

Ongoing Governance

5

- **EnnisKnupp 2010 recommendations**
 - 55 of 82 implemented, or in process
- **Council continuing work with Hewitt-EnnisKnupp**
 - Follow up study & recommendations in July
- **Council highly engaged**
 - Approves all investments & contracts greater than \$50k
 - Monthly meetings typically 3-5 hours; monthly committee meetings 2+ hours; 300 pages of meeting materials common
 - Governor appointed Linda Eitzen in May
 - Lee Rawson reappointed by Legislative Council
 - One current public member vacancy (GOV)



STATE INVESTMENT COUNCIL

Permanent Funds

6

- **Growth of Fund**
 - More than \$1.4 billion for 2-years ending 3/31/12
- **Significant distributions, April 2010-March 2012**
 - Land Grant Permanent Fund (\$1000s)
 - ✦ Distributions: \$1,082,344
 - ✦ Contributions: \$883,939
 - Severance Tax Permanent Fund (\$1000s)
 - ✦ Distributions: \$371,378
 - ✦ Contributions: \$11,105
 - Total (\$1000s)
 - ✦ Distributions: \$1,453,722
 - ✦ Contributions: \$895,044



STATE INVESTMENT COUNCIL

Legal Matters

7

- **Recovery efforts: the right thing to do**
 - Contingency fee ability authorized by SB 86 in 2011
 - ✦ Minimizes state financial risk significantly
 - SIC is only state entity, regulatory body or enforcement agency to file a case in pay-to-play
 - No criminal prosecution in NM so far
 - Other cases mired in legal system
- **SIC has served all defendants in 'phase 1'**
 - Marc Correra in Europe & Anthony Correra in NY
 - Minor recoveries now, deeper pockets later, new complaint pending
- **Litigation through at least 2014**



STATE INVESTMENT COUNCIL

Investment performance through 3/31/12

8

- Land Grant & Severance Tax Permanent Fund return rankings for quarter, 1/3/5/10-year periods:

	<u>QTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Land Grant Total Fund Composite	9.45%	3.34%	14.36%	2.76%	5.55%
TUCS Public Plans > \$1 Billion	7.43%	4.04%	15.81%	3.05%	6.18%
Land Grant Total Fund Quartile Ranking	First	Third	Third	Third	Fourth
Severance Tax Total Fund Composite	8.68%	2.61%	13.52%	1.78%	4.89%
TUCS Public Plans > \$1 Billion	7.43%	4.04%	15.81%	3.05%	6.18%
Severance Tax Total Fund Quartile Ranking	First	Fourth	Fourth	Fourth	Fourth



STATE INVESTMENT COUNCIL

LGPF Allocation & performance

9

- Land Grant Permanent Fund asset allocation & performance as of 3/31/2012

	Asset Allocation (\$)	Asset Allocation (%)	QTD (%)	CYTD (%)	1-Year (%)	3-Years (%)	5-Years (%)	10-Years (%)
Land Grant Total Fund Composite	10,956,939,538	100.00	9.45	9.45	3.34	14.36	2.76	5.55
US Equity	5,256,786,600	47.98	14.01	14.01	2.51	21.52	3.35	5.27
Non-US Equity	1,496,247,622	13.66	13.15	13.15	6.63	21.96	0.30	8.60
Fixed Income	2,079,805,169	18.98	3.08	3.08	6.78	11.24	3.05	4.76
Absolute Return	599,764,142	5.47	1.63	1.63	2.72	3.42	0.93	N/A
Private Equity (excl. state PE program)	1,035,631,682	9.45	4.99	4.99	5.08	4.39	7.55	4.92
Real Estate (Townsend reported)	422,741,716	3.86	3.80	3.80	10.80	3.11	6.01	N/A
Cash Equivalent	65,962,609	0.60	0.00	0.00	2.28	1.04	2.44	2.58



STATE INVESTMENT COUNCIL

STPF Allocation & performance

10

- Severance Tax Permanent Fund asset allocation & performance as of 3/31/2012

	Asset Allocation (\$)	Asset Allocation (%)	QTD (%)	CYTD (%)	1-Year (%)	3-Years (%)	5-Years (%)	10-Years (%)
Severance Tax Total Fund Composite	3,881,187,441	100.00	8.68	8.68	2.61	13.52	1.78	4.89
US Equity	1,663,482,614	42.86	14.01	14.01	2.51	21.52	3.35	5.27
Non-US Equity	503,327,981	12.97	13.15	13.15	6.63	21.96	0.30	8.60
Fixed Income	574,720,164	14.81	3.08	3.08	6.78	11.24	3.05	4.76
Absolute Return	146,744,440	3.78	1.63	1.63	2.72	3.42	0.93	N/A
Private Equity (incl. state PE program)	696,190,948	17.94	4.35	4.35	4.57	3.62	5.95	3.37
Real Estate (Townsend reported)	199,898,998	5.15	3.80	3.80	10.80	3.11	6.01	N/A
ETI	71,097,701	1.83	0.73	0.73	2.58	2.86	2.49	0.03
Cash Equivalent	25,724,595	0.66	0.00	0.00	2.28	1.04	2.44	2.58

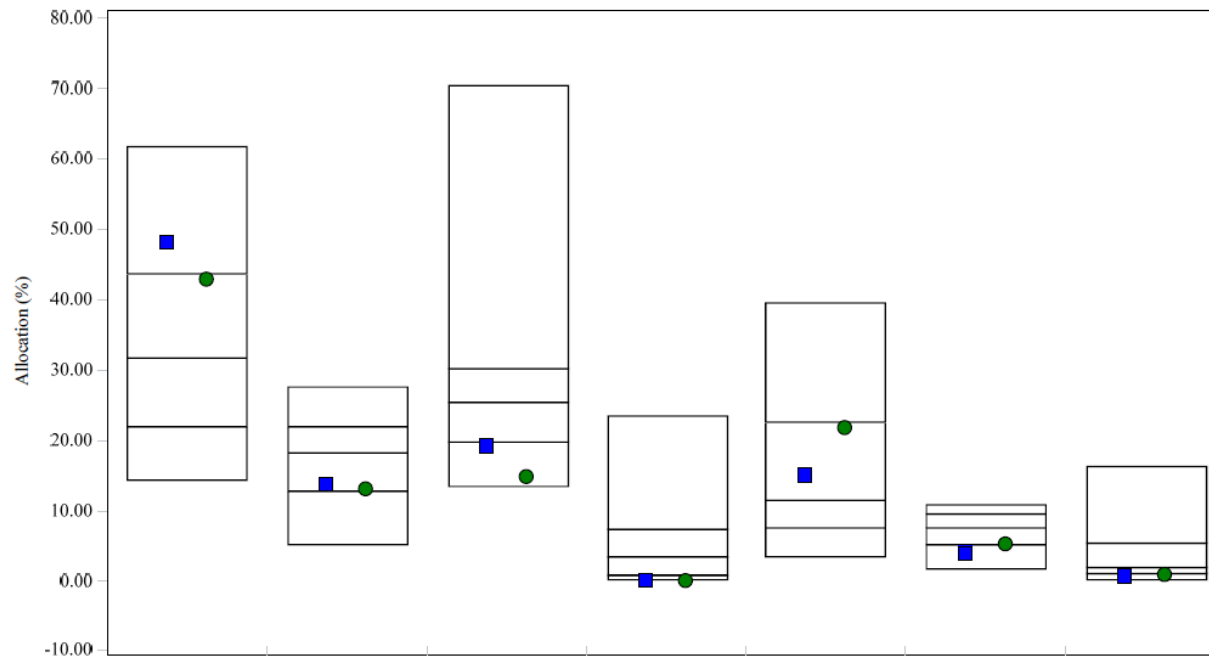


STATE INVESTMENT COUNCIL

Asset allocation comparison

11

- NMSIC versus all public plans >\$1B total fund, as of March 31, 2012



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
■ Land Grant Total Fund Composite	47.98 (12)	13.66 (74)	18.98 (78)	0.00	14.93 (47)	3.86 (88)	0.60 (86)
● Severance Tax Total Fund Composite	42.86 (28)	12.97 (75)	14.81 (92)	0.00	21.72 (27)	5.15 (75)	0.66 (85)
5th Percentile	61.82	27.59	70.36	23.44	39.57	10.75	16.21
1st Quartile	43.74	21.95	30.20	7.28	22.45	9.51	5.43
Median	31.60	18.12	25.29	3.45	11.38	7.62	1.81
3rd Quartile	21.83	12.83	19.70	0.70	7.49	5.15	1.00
95th Percentile	14.28	5.23	13.45	0.07	3.29	1.63	0.17
Population	58	51	60	31	34	23	35



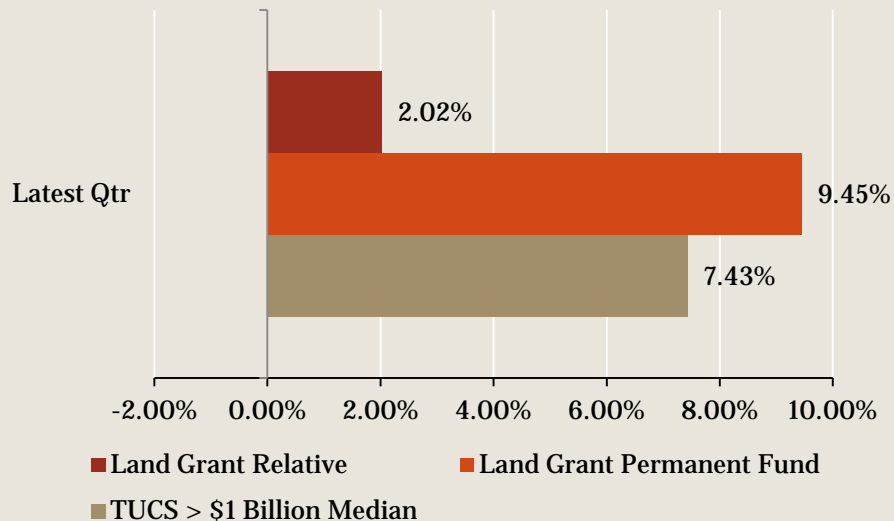
STATE INVESTMENT COUNCIL

Performance attribution

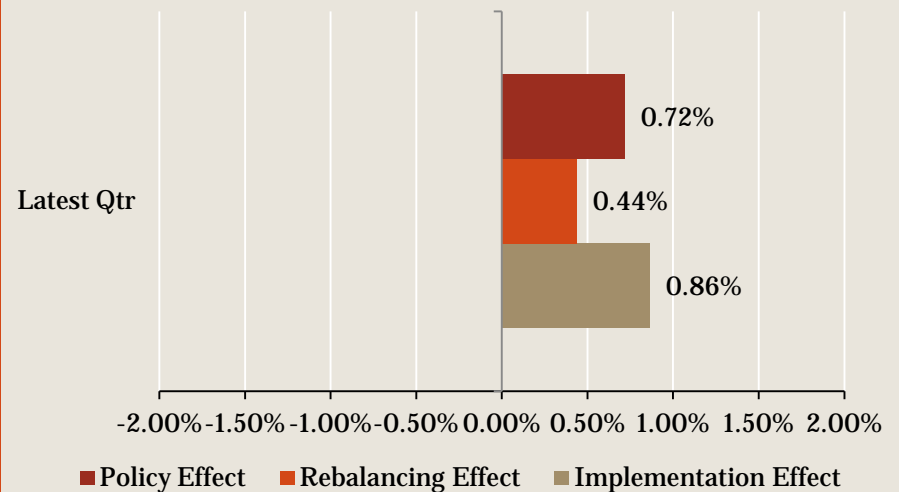
12

- Land Grant Permanent Fund 1Q performance versus public peer funds & attribution analysis:

Land Grant Permanent Fund
Performance Versus TUCS > \$1 Billion Median



Land Grant Permanent Fund
Performance Attribution Versus TUCS > \$1 Billion Median





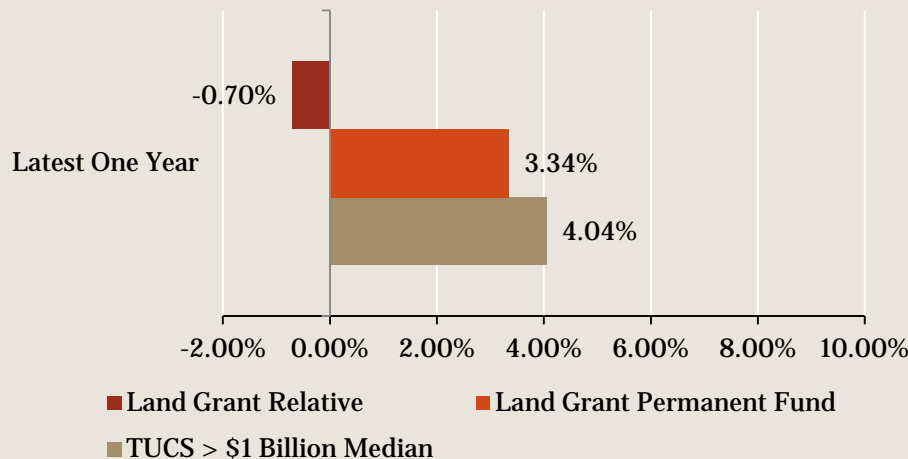
STATE INVESTMENT COUNCIL

Performance attribution

13

- Land Grant Permanent Fund 1-year performance versus public peer funds & attribution analysis:

Land Grant Permanent Fund
Performance Attribution Versus TUCS > \$1 Billion Median



Land Grant Permanent Fund
Performance Attribution Versus TUCS > \$1 Billion Median

